

REAL ESTATE TAX ASSESSMENT AND ANALYSIS***Overview***

The subject site is identified by the New York Department of Finance as Block 1122 Lots 1, 68 and 71. It has a Class IV property designation, the typical category for commercial properties. The following assessments and taxes were confirmed with the New York City assessor's office. The fiscal tax year in New York City is from July 1 to June 30 with taxes payable in January and July. The subject's assessment for the 2017/18 and 2018/19 tax years are illustrated in the following schedule.

SUBJECT PROPERTY'S ASSESSED VALUES

Lot	Tax Year	Actual Land	Actual Total	Transitional Land	Transitional Total
1	2017/18	\$153,000	\$404,550	\$153,000	\$470,210
	2018/19	\$153,000	\$454,050	\$153,000	\$447,890
68	2017/18	\$31,500	\$31,500	\$27,230	\$27,230
	2018/19	\$47,250	\$47,250	\$31,660	\$31,660
71	2017/18	\$109,350	\$109,350	\$96,030	\$96,030
	2018/19	\$99,450	\$99,450	\$97,910	\$97,910
Total	2017/18	\$293,850	\$545,400	\$276,260	\$593,470
	2018/19	\$299,700	\$600,750	\$282,570	\$577,460

Source: New York City Assessor's Office; Compiled by KTR

Tax Policy

New York City policy is to calculate the tax burden based on the lower of the actual or transitional assessments. For Lot 1, the tax liability would be based on the actual assessed value in the 2017/18 tax year and on the transitional assessed value in 2018/19. In both the 2017/18 and 2018/19 tax years, the subject's tax liability would be based upon the transitional assessed value for Lots 68 and 71.

Tax Rate

The subject is designated by the New York City Department of Finance as a Class IV property, the category for all commercial and industrial properties. The 2018/19 tax rate has not yet been announced. The 2017/2018 tax rate is \$10.514 per \$100.00 of assessed value which has been processed for both tax years.

Conclusion

Based on the subject's 2018/19 transitional assessment and the 2017/18 Class IV tax rate, a current tax liability of \$60,714 is evidenced. It is noted, that according to the Department of Finance, the subject is receiving an ICIP Tax Exemption; however, the exemption is currently suspended. Considerate of such, it has not been processed.

HIGHEST AND BEST USE***Introduction***

Highest and Best Use is defined by the Appraisal Institute in The Dictionary of Real Estate Appraisal, Sixth Edition, Chicago, Illinois, Appraisal Institute, 2015, which states:

“The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset’s existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.

The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future.”

There are typically two Highest and Best Use scenarios: the Highest and Best Use of the property as if vacant and the Highest and Best Use of the site as if improved.

HIGHEST AND BEST USE AS IF VACANT***Definition***

According to The Dictionary of Real Estate Appraisal, the Highest and Best Use as if Vacant is defined as “Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.”

The subject site contains 29,000 square feet. It is split-zoned, with approximately 22,000 square feet located in the M1-1 Manufacturing District and 7,000 square feet in an R6B Residential District. Residential and community facility uses are not permitted in the M1-1 district and commercial and industrial uses are not permitted in the R6B district. Further, the subject is in an area where a rezoning is being discussed. If enacted, the proposed “M Crown” rezoning would permit zoning in-line with the C4-3A, C4-4A and C6-1 commercial districts, which allows commercial and residential uses on the entire site. The “M Crown” zoning, as proposed, would include Mandatory Inclusionary Housing in residential development.

The maximum value of a property is typically realized when a reasonable degree of homogeneity is present; thus, conformity in use is usually a highly desirable aspect of real property since it creates and/or maintains value. Surrounding improvements consist of developments associated with the Pacific Park Project directly to the west of the subject on Vanderbilt Avenue, with 550 Vanderbilt Avenue being across the street at

the intersection of Vanderbilt Avenue and Pacific Street. On the northwest corner of Vanderbilt and Atlantic Avenue is a 650,000 square foot office and retail building, known as 470 Vanderbilt Avenue. Adjacent to the subject on Atlantic Avenue are one-story retail buildings or multi-story mixed used properties. Verizon has an office building across the street at the intersection of Atlantic and Clinton Avenue. Along Pacific Street are smaller two to three story residential properties and Co-Cathedral of St. Joseph across the street from the subject. Considerate of such, the highest and best use of the subject site, as if vacant, would be a mixed-use development in keeping with regulatory zoning, both as is and under the assumption that the “M Crown” rezoning is approved.

HIGHEST AND BEST USE AS IMPROVED

Definition

According to The Dictionary of Real Estate Appraisal, the Highest and Best Use as improved is defined as “The use that should be made of a property as it exists. An existing property should be renovated or retained “as is” so long as it continues to contribute to the total market value of the property or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.”

The existing building represents a significant under-improvement relative to the existing and proposed “M Crown” zoning. The highest and best use of the subject, as improved is demolition of the existing improvements and development in keeping with regulatory zoning. Given the probability of rezoning to a significantly higher density (FAR) under the proposed “M Crown” zoning it is unlikely that redevelopment would occur under the current zoning until the fate of the proposed rezoning is determined.

VALUATION PROCESS

Introduction

There are three traditional approaches which can be employed in establishing market value - the Cost Approach, the Sales Comparison Approach and the Income Capitalization Approach. These approaches and their applicability in valuing the subject property are discussed as follows:

Sales Comparison Approach

The Sales Comparison Approach provides an estimate of value based upon recent activity of buyers and sellers in the marketplace. This approach is generally considered reliable in active markets where the motivations of buyers and sellers are known. The scope of this appraisal is limited to the valuation of Market Value of the Fee Simple Interest in the subject land under current and proposed zoning. As such, the Sales Comparison Approach is the only approach developed.

Income Approach

The Income Approach is based on the premise that a value indication for a property is derived by converting anticipated benefits into value. Anticipated benefits include the present value of the net income and the present value of the net proceeds resulting from its eventual disposition.

The site is currently improved with a vacant building that no longer represents the site's highest and best use. As the subject's value lies purely in the underlying land, the Income Approach is not considered relevant and has not been developed; however, certain components of this approach were utilized in the ground rent projection analysis.

Cost Approach

Application of the Cost Approach is based on the principle of substitution. This principle may be stated as follows: no one is justified in paying more for a property than that amount by which he or she can obtain, by purchase of a site and construction of a building, without undue delay, a property of equal desirability and utility. As the subject's highest and best use is demolition of the existing improvements and subsequent re-development, the Cost Approach has been excluded from this analysis.

Reconciliation

The valuation procedure is concluded via a review of the approaches to value employed. As only the Sales Comparison Approach was employed, the value derived via this approach serves as the sole indication and final value conclusion.

SALES COMPARISON APPROACH

M1-1 Zone Site

The Sales Comparison Approach is an estimate of value derived from a comparison with similar properties. This method directly reflects the actions of buyers and sellers in the marketplace. Substitution is the underlying principle affecting the choice of buyers and sellers and implies that a prudent person will not pay more to buy a property than it would cost to buy a comparable substitute property. The price a typical purchaser pays is usually the result of a comparison process of various alternatives.

The subject's M1-1 zoned portion of the site is situated within 100 feet of Atlantic and Vanderbilt Avenue. It contains a total site area of 22,000± square feet and includes a small portion of Lot 68 that could potentially be treated as R6B under Section 77-11 of the Zoning Resolution. Within this analysis the total "U-shaped" M1-1 portion of the site will be valued based on its 1.0 FAR.

The market value of the subject site, as if vacant, unencumbered and available to be put its Highest and Best Use, is best indicated by an examination of land sales similar to the subject site. The techniques employed within the Sales Comparison Approach are utilized so as to value the subject's underlying land. The price per square foot of zoning floor area is used as the basic unit of comparison. There have been a limited amount of sales activity regarding M1-1 zoned development sites in the immediate area; as such, two M1-1 and one M1-2 development site transactions throughout Brooklyn have been analyzed.

As recent transactions, the comparables chosen are deemed to provide an adequate sampling through which a land value may be estimated. The sales have been analyzed based on their maximum permissible bulk. The comparative process involves judgment as to the similarity between the subject site and the comparable sales with regard to a variety of factors. The following factors have been considered.

Property Rights

The subject is appraised as if vacant, unencumbered and available for development; as such, the interest appraised is the Fee Simple Estate. Neither the existing ground lease nor the McDonald's renewal option are considered in this valuation. All of the comparables represent the Fee Simple Interest with the conveyance of a 100% ownership interest; as such, no property rights adjustments have been applied.

Financing Terms

The comparable sales were either all cash or were financed by primary lenders at market-oriented rates. Considerate of such, no adjustments for any unusual or atypical financing was required.

Conditions of Sale

Adjustments for condition of sale usually reflect the motivations of the buyer and the seller. The comparables were all arms-length, requiring no adjustment.

Expenditures After Purchase This adjustment factors in a dollar amount for demolition. Demolition adjustments recognize the cost to create a vacant parcel, considering that many of the comparable development sites were improved at the time of sale. This adjustment is developed by forecasting probable demolition costs using a unit cost multiplier and an estimate of the gross building area of the improvement(s) on the site at the time of sale. Based on demolition costs reviewed by KTR, estimated demolition costs of \$20.00 per square foot of reported gross building area is processed in this analysis.

Market Conditions Comparable sales that occurred under different market conditions than those applicable to the subject property, as of the effective date of appraisal, require adjustment for any differences that affect their value. This adjustment will utilize the contract dates to determine the appropriate market conditions adjustment for each sale. Due to the potential delays between contract and closing and the significant land appreciation rate experienced in this market, land sales are typically adjusted based on their contract date. As a whole, market conditions improved between 2014 and 2015, stabilizing in early 2016. The comparables entered into contract between December 31, 2015 and August 9, 2017, warranting no adjustments for market conditions.

Location An adjustment for location is appropriate when the location characteristics of a comparable property are different from those of the subject. Adjustments have been made on an individual basis taking into account the desirability, appeal, demographics and neighborhood character of each site.

Site Size The comparable sales range in size from 8,672 to 24,000 square feet. The subject's M1-1 portion is a 22,000 square foot site. In the boroughs, it appears that smaller industrial sites trade at higher unit prices than larger sites. Adjustments have been made on an individual basis.

Development Potential This adjustment focuses on the permitted bulk of each comparable. It also accounts for restrictions of the comparables in special zoning districts. Comparable Nos. 2 and 3 are in the same zoning district as the subject warranting no adjustment, whereas Comparable No. 1 is in a M1-2 district which is permitted a higher bulk, superior to the subject. None of the comparables are situated in special districts and warrant no adjustment.

Shape The shape of a development site can have a material impact on the utility and development potential of a site. The subject's M1-1 portion is a U-shaped site. Adjustments for site shape were made on an individual basis.

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Site Orientation

Exposure and accessibility consider the advantage of corner locations, frontage and visibility. In addition, the frontage of the sites have been considered in this adjustment. The subject's M1-1 portion fronts two corners with 170 feet of frontage along the south side of Atlantic Avenue, 200 feet along the east side of Vanderbilt Avenue and 50 feet along the north side of Pacific Street. The comparables have been adjusted on an individual basis.

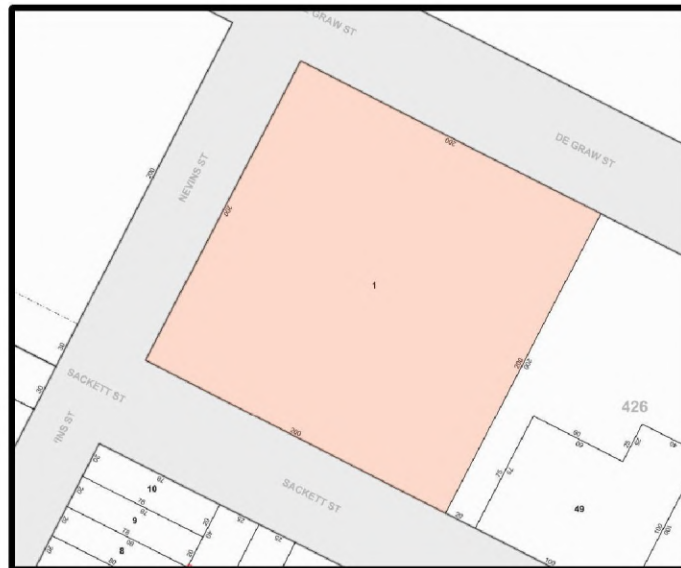
The following is a brief description of the land sales considered pertinent in the valuation of the subject property.

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Land Comparable No. 1

Address: 537-545 Sackett Street
Neighborhood: Gowanus
Block/Lot: 426/1
Date of sale: December 15, 2017
Date of contract: August 9, 2017
Grantor: ATS Realty Inc.
Grantee: Aris Realty Corp.
Site Area: 40,000 sq. ft.
Improvements: 41,050 sq. ft.
Demolition Cost: \$821,000 or \$10.26 per ZFA
Zoning: M1-2
Maximum (FAR): 2.0
Maximum ZFA: 80,000 square feet of ZFA
Consideration: \$26,500,000
Price per ZFA: \$331.25



Analysis

Comparable No. 1 is the December 15, 2017 arm's length sale of the Fee Simple Interest in a square shaped site, located with frontage on the east side of Nevins Street, extending the full block between Sackett and Degraw Street in Gowanus. According to public records, this property entered into contract on August 9, 2017. It is approximately 1.0 mile west of the subject and represents the sale of a one-story industrial building containing 41,050 square feet. No demolition or new building plans have been filed with the Department of Buildings. A December 15, 2017 article in The Real Deal indicates that Domain Companies (the parent company of the Grantee) intends to redevelop the site, but "believes the pending Gowanus rezoning will allow it to build a bigger project" than its as of right 80,000 square feet. No adjustments are required for ownership interest, conditions of sale or cash equivalency. It is noted that the site

requires environmental remediation; however, it is reported that National Grid is responsible for this cleanup. A demolition adjustment of \$10.26 per square foot of ZFA has been processed. No market conditions adjustment has been applied. The comparable's location is considered inferior to that of the subject as it fronts three narrow streets and an upward adjustment is warranted. The site size is larger than the subject warranting an upward adjustment. As the comparable has a 2.0 FAR, excluding community facility bonuses, superior to the subject's 1.0 FAR, a downward adjustment is warranted for development potential. The comparable is square in shape; superior to the subject and a downward adjustment has been applied. The comparable is a corner property, fronting two corners, similar to the subject, with 200 feet of frontage along the west side of Nevins Street, 200 feet along the north side of Sackett Street and 200 feet along the south side of Degraw, also similar to the subject. Considerate of such, no adjustment has been processed for site orientation. Overall, a slight upward adjustment to the transactional adjusted unit price was applied suggesting an adjusted unit value indication of \$358.59 per square foot of zoning floor area.

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Land Comparable No. 2

Address:	33 and 35 Wyckoff Avenue and 267 Starr Street
Neighborhood:	Bushwick
Block/Lots:	3189/1, 2, 3 and 137
Date of sale:	May 4, 2017
Date of contract:	January 13, 2017
Grantor:	35 Wyckoff LLC
Grantee:	33 Wyckoff LLC & Sivan 33 Wyckoff LLC
Site Area:	9,736 sq. ft.
Improvements:	Vacant
Demolition Cost:	None
Zoning:	M1-1
Maximum (FAR):	1.0
Maximum ZFA:	9,736 square feet of ZFA
Consideration:	\$5,650,000
Price per ZFA:	\$580.32



Analysis

Comparable No. 2 is the May 4, 2017 arm's length sale of the Fee Simple Interest in a "L-shaped" site, located at the northwest corner of Wyckoff Avenue and Starr Street in Bushwick. According to public records, this property entered into contract on January 13, 2017. It is approximately 3.0 miles northeast of the subject and represents the sale of a vacant parcel. No new building plans have been filed with the Department of Buildings. No adjustments are required for ownership interest, conditions of sale, cash equivalency or demolition. No market conditions adjustment has been applied. The comparable's location in Bushwick is considered superior to that of the subject and a downward adjustment is warranted. The site size is considered smaller than the subject warranting a downward

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adjustment. No adjustment is warranted for development potential. The comparable is “L-shaped”; superior to the subject and a downward adjustment has been applied. The comparable is a corner property, similar to the subject, with 75.04 feet of frontage along the north side of Wyckoff Avenue and 122.29 feet along the west side of Starr Street, the subject has frontage on three streets with two corners. Considerate of such, an upward adjustment has been processed for site orientation. Overall, a downward adjustment to the transactional adjusted unit price was applied suggesting an adjusted unit value indication of \$522.29 per square foot of zoning floor area.

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Land Comparable No. 3

Address:	901 Dean Street
Neighborhood:	Crown Heights
Block/Lot:	1133/67
Date of sale:	May 31, 2016
Date of contract:	December 31, 2015
Grantor:	Yuen Yuen Realty, LLC
Grantee:	901 Dean LLC
Site Area:	8,672 sq. ft.
Improvements:	Vacant
Demolition Cost:	None
Zoning:	M1-1
Maximum (FAR):	1.0
Maximum ZFA:	8,672 square feet of ZFA
Consideration:	\$5,000,000
Price per ZFA:	\$576.57



Analysis

Comparable No. 3 is the May 31, 2016 arm's length sale of the Fee Simple Interest in a rectangular shaped site, located on the north side of Dean Street between Grand and Classon Avenue in Crown Heights. According to public records, this property entered into contract on December 31, 2015. It is just under 0.5 miles east of the subject and represents the sale of a vacant parcel. No new building plans have been filed with the Department of Buildings. No adjustments are required for ownership interest, conditions of sale, cash equivalency or demolition. No market conditions adjustment has been applied. The comparable's location is considered similar to that of the subject and no adjustment is warranted. The site size

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is considered smaller than the subject warranting a downward adjustment. No adjustment is warranted for development potential. The comparable is rectangular in shape; superior to the subject and a downward adjustment has been applied. The comparable is a mid-block property, inferior to the subject, with 75.69 feet of frontage along the north side of Dean Street, also inferior to the subject. Considerate of such, an upward adjustment has been processed for site orientation. Overall, a net neutral adjustment to the transactional adjusted unit price was applied suggesting an adjusted unit value indication of \$576.57 per square foot of zoning floor area.

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ANALYSIS OF LAND SALES

Sale No.		Subject Property		1	2	3		
PROPERTY INFO.	Address	840 Atlantic Ave AKA 547 Vanderbilt Ave & 847-853 Pacific St		537-545 Sackett Ave	33 & 35 Wyckoff Ave & 267 Starr St	901 Dean St		
	Neighborhood	Prospect Heights		Gowanus	Bushwick	Crown Heights		
	Block/Lot	1122/1, 68 & 71		426/1	3189/1, 2, 3 & 137	1133/67		
	Improvements (Sq. Ft.)	3,760		41,050	0	0		
	Site Area (Sq. Ft.)*	22,000		40,000	9,736	8,672		
	Zoning	M1-1		M1-2	M1-1	M1-1		
	Buildable Area (ZFA)	22,000		80,000	9,736	8,672		
	Demolition Expense	\$75,200		\$821,000	\$0	\$0		
TRANSACTION INFO.	Date of Sale			December 15, 2017	May 4, 2017	May 31, 2016		
	Contract Date			August 9, 2017	January 13, 2017	December 31, 2015		
	Property Rights Conveyed			Fee Simple	Fee Simple	Fee Simple		
	Grantor			ATS Realty Inc.	35 Wyckoff LLC	Yuen Yuen Realty, LLC		
	Grantee			Aris Realty Corp.	33 Wyckoff LLC & Sivan 33 Wyckoff LLC	901 Dean LLC		
	Property Record No.			2017122700874001	2017050500727002	2016061500849001		
	Sale Price			\$26,500,000	\$5,650,000	\$5,000,000		
	Sale Price Per Sq. Ft. of Land Area			\$662.50	\$580.32	\$576.57		
	Sale Price Per ZFA			\$331.25	\$580.32	\$576.57		
Unit of Comparison Selected			Per ZFA	Per ZFA	Per ZFA			
TRANSACTIONAL ADJ.			<u>Qualitative</u>	<u>Quantitative</u>	<u>Qualitative</u>	<u>Quantitative</u>		
	Unadjusted Unit Price			\$331.25	\$580.32	\$576.57		
	Real Property Rights Adj.		Similar	<u>\$0.00</u>	Similar	<u>\$0.00</u>		
	Adjusted Price			\$331.25	\$580.32	\$576.57		
	Financing Adjustment		None	<u>\$0.00</u>	None	<u>\$0.00</u>		
	Adjusted Price			\$331.25	\$580.32	\$576.57		
	Conditions of Sale Adj.		Arms-Length	<u>\$0.00</u>	Arms-Length	<u>\$0.00</u>		
	Adjusted Price			\$331.25	\$580.32	\$576.57		
	Expenditures After Purchase		Demolition	<u>\$10.26</u>	None	<u>\$0.00</u>		
	Adjusted Price			\$341.51	\$580.32	\$576.57		
Market Conditions		Similar	<u>0.0%</u>	Similar	<u>0.0%</u>			
Transactional Adjusted Price PSF			\$341.51	\$580.32	\$576.57			
PROPERTY ADJ.	Location		Inferior	5%	Superior	-5%	Similar	0%
	Site Size		Larger	10%	Smaller	-5%	Smaller	-5%
	Development Potential		Superior	-5%	Similar	0%	Similar	0%
	Shape		Superior	-5%	Superior	-5%	Superior	-5%
	Site Orientation		Similar	<u>0%</u>	Inferior	<u>5%</u>	Inferior	<u>10%</u>
	Overall Property Adjustment			5%		-10%		0%
	Indication of Unit Value			\$358.59	\$522.29	\$576.57		

STATISTICAL ANALYSIS

	Unadjusted	Adjusted
Low End of Range	\$331.25	\$358.59
High End of Range	\$580.32	\$576.57
Statistical Average	\$496.05	\$485.81

*Subject Indicated Site Area is Only that in M1-1 Zone

Conclusion

The comparable sales reflect unadjusted values ranging from \$331.25 to \$580.32 per square foot of ZFA. After adjustments, the sales indicate unit values between \$358.59 and \$576.57 per square foot of ZFA. Most reliance has been placed on Comparable Nos. 2 and 3 as these sites are the most similarly zoned. Comparable No. 1 is a known contaminated site. Although National Grid is responsible for the remediation of this site, the impact on development of the site is unknown and could have impacted the price. It reflects the low end of the adjusted range. Comparable Nos. 2 and 3 suggest a unit value between \$522.29 and \$576.57 per square foot of ZFA. Considerate of such, a unit value of \$550.00 per square foot of ZFA is considered reasonable.

22,000 buildable sq. ft. @ \$550.00 per sq. ft. equals \$12,100,000

As noted earlier in this section, a demolition cost of \$20.00 per square foot of reported building area is estimated to remove the existing structure and deliver the site available for development. The subject contains a 3,760 square foot structure and a demolition adjustment of \$75,200 has been deducted from the concluded market value. Deducting the demolition costs from the concluded market value, indicates a value of \$12,024,800 is evidenced \$12,000,000 rounded.

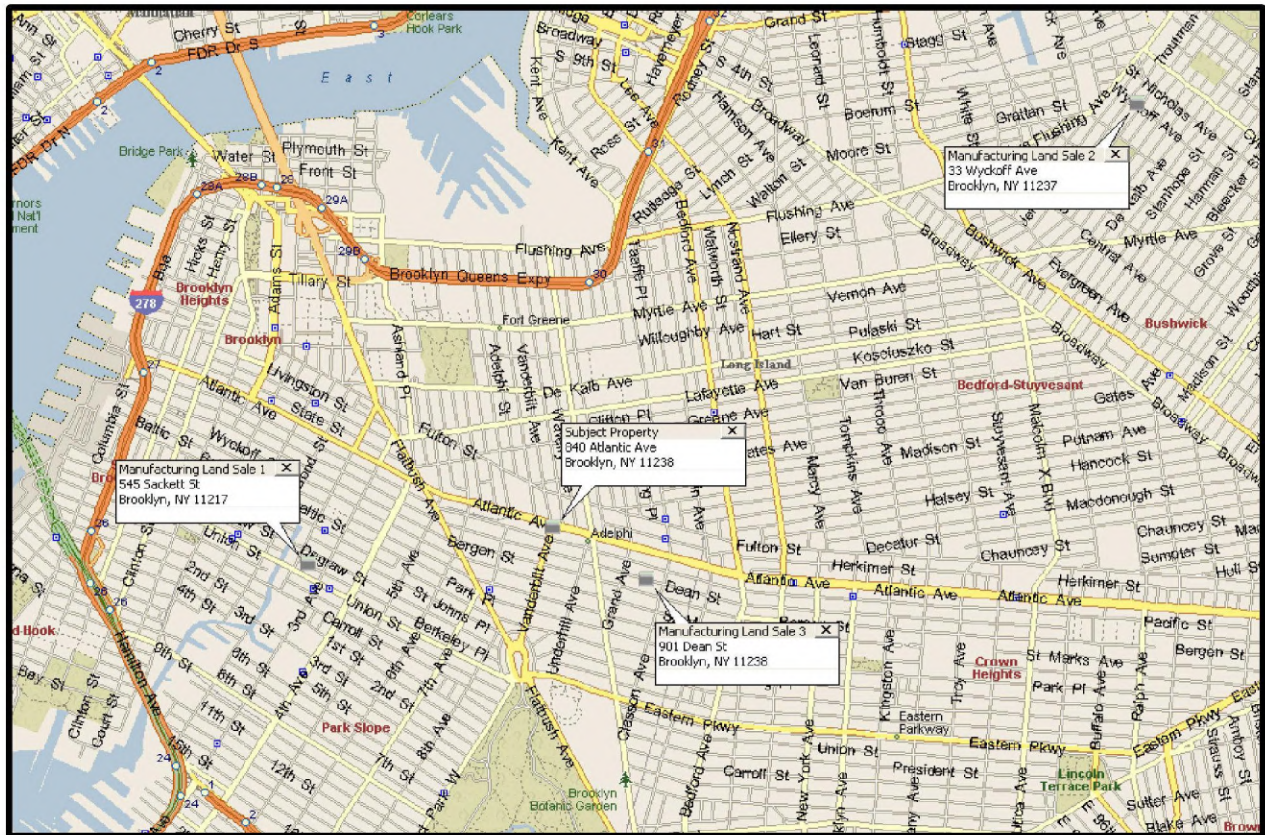
Based on the preceding analysis, the Market Value of the Fee Simple Interest in the subject property's underlying land situated in the M1-1 Zoning District via the Sales Comparison Approach, as of August 20, 2018, is:

**TWELVE MILLION DOLLARS
(\$12,000,000)**

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MAP OF COMPARABLE LAND SALES



R6B Zoned Site

The subject's R6B zoned portion of the site is situated on the north side of Pacific Street, 100 feet east of Vanderbilt Avenue. It is a regular, rectangular shaped parcel containing 7,000 square feet and can be built as of right to a maximum ZFA of 14,000 square feet.

The market value of the subject site, as if vacant, unencumbered and available to be put its Highest and Best Use, is best indicated by an examination of land sales similar to the subject site. The techniques employed within the Sales Comparison Approach are utilized so as to value the subject's underlying land. The price per square foot of zoning floor area is used as the basic unit of comparison. There have been a limited amount of sales activity regarding R6B zoned development sites in the immediate area; as such, three R6B and one R6A development site transactions throughout Brooklyn have been analyzed.

As recent transactions, the comparables chosen are deemed to provide an adequate sampling through which a land value may be estimated. The sales have been analyzed based on their maximum permissible bulk. The comparative process involves judgment as to the similarity between the subject site and the comparable sales with regard to a variety of factors. The following factors have been considered.

Property Rights

The subject is appraised as if vacant, unencumbered and available for development; as such, the interest appraised is the Fee Simple Estate. Neither the exiting ground lease nor the McDonald's renewal option are considered in this valuation. All of the comparables represent the Fee Simple Interest with the conveyance of a 100% ownership interest; as such, no property rights adjustments have been applied.

Financing Terms

The comparable sales were either all cash or were financed by primary lenders at market-oriented rates. Considerate of such, no adjustments for any unusual or atypical financing was required.

Conditions of Sale

Adjustments for condition of sale usually reflect the motivations of the buyer and the seller. The comparables were all arms-length, requiring no adjustment.

Expenditures After Purchase

This adjustment factors in a dollar amount for demolition. Demolition adjustments recognize the cost to create a vacant parcel, considering that many of the comparable development sites were improved at the time of sale. This adjustment is developed by forecasting probable demolition costs using a unit cost multiplier and an estimate of the gross building area of the improvement(s) on the site at the time of sale. Based on demolition costs reviewed by KTR, estimated demolition costs of \$20.00 per square foot of reported gross building area is processed in this analysis.

Market Conditions

Comparable sales that occurred under different market conditions than those applicable to the subject property, as of the effective date of appraisal, require adjustment for any differences that affect their value. This adjustment will utilize the contract dates to determine the appropriate market conditions adjustment for each sale. Due to the potential delays between contract and closing and the significant land appreciation rate experienced in this market, land sales are typically adjusted based on their contract date. As a whole, market conditions improved between 2014 and 2015, stabilizing in early 2016. The comparables entered into contract between November 8, 2016 and October 10, 2017, warranting no adjustments for market conditions.

Location

An adjustment for location is appropriate when the location characteristics of a comparable property are different from those of the subject. Adjustments have been made on an individual basis taking into account the desirability, appeal, demographics and neighborhood character of each site.

Site Size

The comparable sales range in size from 2,500 to 9,825 square feet. The subject's R6B portion is a 7,000 square foot site. In the boroughs, larger residential/commercial sites typically trade at a higher price per square foot than smaller sites. Adjustments have been made on an individual basis.

Development Potential

This adjustment focuses on the permitted bulk of each comparable. It also accounts for restrictions of the comparables in special zoning districts. Comparable Nos. 1, 3 and 4 are in the same zoning district as the subject warranting no adjustment, whereas Comparable No. 2 is in a R6A district which is permitted a higher bulk, superior to the subject. None of the comparables are situated in special districts and warrant no adjustment.

Shape

The shape of a development site can have a material impact on the utility and development potential of a site. The subject's R6B portion is a rectangular shaped site. Adjustments for site shape were made on an individual basis.

Site Orientation

Exposure and accessibility consider the advantage of corner locations, frontage and visibility. In addition, the frontage of the sites have been considered in this adjustment. The subject's R6B portion is mid-block with 70 feet along the north side of Pacific Street. The comparables have been adjusted on an individual basis.

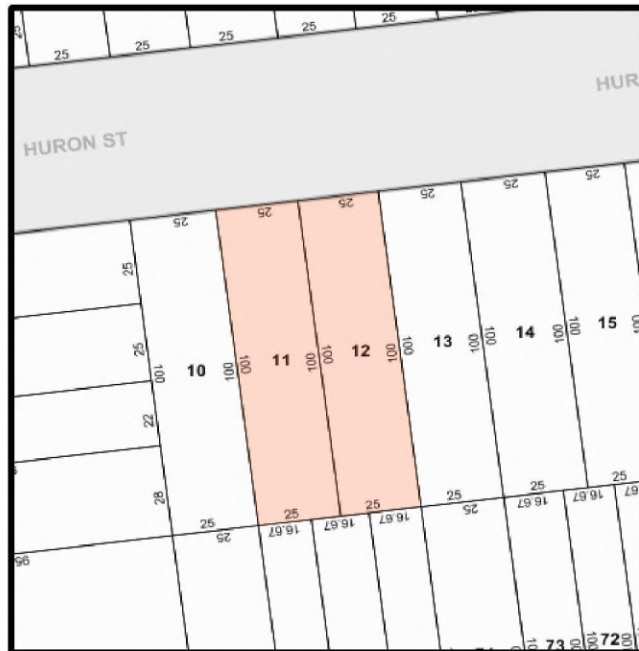
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Land Comparable No. 1

Address: 102-104 Huron Street
Neighborhood: Greenpoint
Block/Lots: 2532/11 and 12
Date of sale: March 27, 2018
Date of contract: August 11, 2017
Grantor: Mohammad Naseem Rana
Grantee: 102-104 Huron Street LLC
Site Area: 5,000 sq. ft.
Improvements: 2,400 sq. ft.
Demolition Cost: \$48,000 or \$4.80 per ZFA
Zoning: R6B
Maximum (FAR): 2.0
Maximum ZFA: 10,000 square feet of ZFA
Consideration: \$4,200,000
Price per ZFA: \$420.00



Analysis

Comparable No. 1 is the March 27, 2018 arm's length sale of the Fee Simple Interest in a rectangular shaped site, located on the south side of Huron Street between Franklin Street and Manhattan Avenue in Greenpoint. According to public records, this property entered into contract on August 11, 2017. It is approximately 3.5 miles north of the subject and represents the sale of a two-story, two-family home containing 2,400 square feet and a vacant parcel. Demolition plans were filed on November 21, 2017; however, the building has yet to be demolished. No new building plans have been filed with the Department of Buildings. No adjustments are required for ownership interest, conditions of sale or cash equivalency. A demolition adjustment of \$4.80 per square foot of ZFA

has been processed. No market conditions adjustment has been applied. The comparable's location is considered superior to that of the subject and a downward adjustment is warranted. The site size is slightly smaller than the subject warranting an upward adjustment. No adjustment is warranted for development potential. The comparable is rectangular in shape; similar to the subject and no adjustment has been applied. The comparable is a mid-block property, similar to the subject, with 50 feet of frontage along the south side of Huron Street, slightly inferior to the subject. Considerate of such, an upward adjustment has been processed for site orientation. Overall, a net neutral adjustment to the transactional adjusted unit price was applied suggesting an adjusted unit value indication of \$424.80 per square foot of zoning floor area.

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Land Comparable No. 2

Address:	484 Sterling Place
Neighborhood:	Crown Heights
Block/Lot:	1174/18
Date of sale:	October 10, 2017
Date of contract:	October 10, 2017
Grantor:	484 Sterling PI LLC & 484 Sterling PL AL LLC
Grantee:	484-490 Sterling PI NY Corp.
Site Area:	9,825 sq. ft.
Improvements:	9,825 sq. ft.
Demolition Cost:	\$196,500 or \$6.67 per ZFA
Zoning:	R6A
Maximum (FAR):	3.0
Maximum ZFA:	29,475 square feet of ZFA
Buildable Area:	36,015 square feet of ZFA (Based on Submitted Plans Filed on May 15, 2018)
Consideration:	\$15,000,000
Price per ZFA:	\$508.91



Analysis

Comparable No. 2 is the October 10, 2017 arm's length sale of the Fee Simple Interest in a rectangular shaped site, located on the south side of Sterling Place between Washington and Classon Avenue in Crown Heights. According to public records, this property entered into contract on October 10, 2017. Although the deed indicates that this was an arm's length transaction it was noted that the buyer and seller listed the same Managing Member, Zachary Stern. KTR attempted to confirm the arm's length nature of this sale. Absent confirmation, this sale is given minimal consideration. It is approximately 0.5 miles south of the subject and

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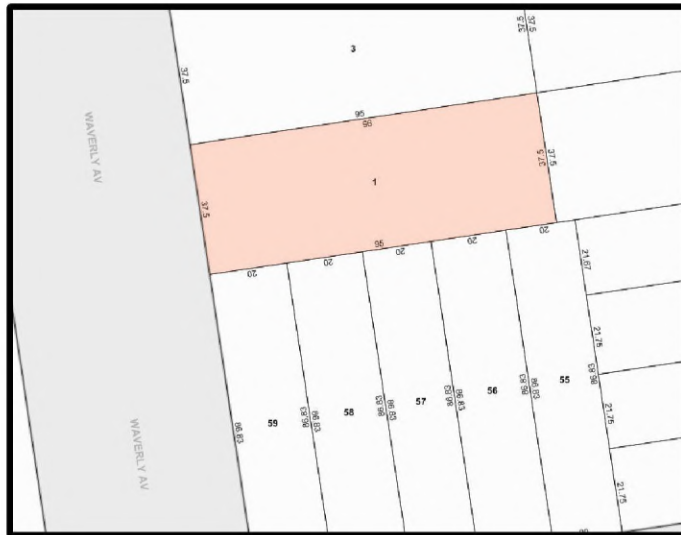
represents the sale of a one-story garage containing 9,825 square feet. Demolition plans were filed on April 20, 2017 and new building plans were filed on May 15, 2018 to construct a seven-story 25 unit apartment building with community facility space. The building will total 36,015 square feet per the filed plans. The plans have not been approved and include excess development rights from Lot 60. No adjustments are required for ownership interest, conditions of sale or cash equivalency. A demolition adjustment of \$6.67 per square foot of ZFA has been processed. No market conditions adjustment has been applied. The comparable's location is considered similar to that of the subject and no adjustment is warranted. The site size is larger than the subject warranting a downward adjustment. As the comparable has a 3.0 FAR, excluding community facility bonuses, superior to the subject's 2.0 FAR, a downward adjustment is warranted for development potential. The comparable is rectangular in shape; similar to the subject and no adjustment has been applied. The comparable is a mid-block property, similar to the subject, with 75 feet of frontage along the south side of Sterling Place, also similar to the subject. Considerate of such, no adjustment has been processed for site orientation. Overall, a downward adjustment to the transactional adjusted unit price was applied suggesting an adjusted unit value indication of \$464.02 per square foot of zoning floor area.

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Land Comparable No. 3

Address:	197 Waverly Avenue
Neighborhood:	Clinton Hill
Block/Lot:	1903/1
Date of sale:	June 28, 2017
Date of contract:	February 21, 2017
Grantor:	Adami Family Limited Partnership
Grantee:	197 Waverly Avenue LLC
Site Area:	3,563 sq. ft.
Improvements:	3,000 sq. ft.
Demolition Cost:	\$60,000 or \$8.42 per ZFA
Zoning:	R6B
Maximum (FAR):	2.0
Maximum ZFA:	7,126 square feet of ZFA
Buildable Area:	7,094 square feet of ZFA (Based on Submitted Plans Filed on July 11, 2017)
Consideration:	\$3,200,000
Price per ZFA:	\$449.06



Analysis

Comparable No. 3 is the June 28, 2017 arm's length sale of the Fee Simple Interest in a rectangular shaped site, located on the east side of Waverly Avenue between Myrtle and Willoughby Avenue in Clinton Hill. According to public records, this property entered into contract on February 21, 2017. It is approximately 0.75 miles north of the subject and represents the sale of a two-story industrial building containing 3,000 square feet. Demolition plans were filed on April 20, 2017 and new building plans were filed on July 11, 2017 to construct a five-story 5 unit apartment building. The building will total 7,094 square feet per the filed plans which were approved on December 26, 2017. This is slightly less than the maximum ZFA of 7,126 square feet for the site. No adjustments are required for ownership interest, conditions of sale or cash equivalency. A demolition adjustment of \$8.42 per square foot of ZFA has been

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processed. No market conditions adjustment has been applied. The comparable's location in Clinton Hill is considered superior to that of the subject and a slight downward adjustment is warranted. The site size is smaller than the subject warranting an upward adjustment. No adjustment is warranted for development potential. The comparable is rectangular in shape; similar to the subject and no adjustment has been applied. The comparable is a mid-block property, similar to the subject, with 37.5 feet of frontage along the east side of Waverly Avenue, inferior to the subject. Considerate of such, a slight upward adjustment has been processed for site orientation. Overall, an upward adjustment to the transactional adjusted unit price was applied suggesting an adjusted unit value indication of \$480.35 per square foot of zoning floor area.

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Land Comparable No. 4

Address: 171 Concord Street
Neighborhood: Downtown - Metrotech
Block/Lot: 108/24
Date of sale: March 2, 2017
Date of contract: November 8, 2016
Grantor: Carbona Di Bari Realty Corp
Grantee: 171 Concord LLC
Site Area: 2,500 sq. ft.
Improvements: 2,375 sq. ft.
Demolition Cost: \$47,500 or \$9.50 per ZFA
Zoning: R6B
Maximum (FAR): 2.0
Maximum ZFA: 5,000 square feet of ZFA
Buildable Area: 4,975 square feet of ZFA (Based on Submitted Plans Filed on March 9, 2017)
Consideration: \$1,950,000
Price per ZFA: \$390.00



Analysis

Comparable No. 4 is the March 2, 2017 arm's length sale of the Fee Simple Interest in a rectangular shaped site, located on the north side of Concord Street between Bridge and Duffield Street in Downtown - Metrotech. According to public records, this property entered into contract on November 8, 2016. It is approximately 1.4 miles northwest of the subject and represents the sale of a one-story industrial building containing 2,375 square feet. Demolition plans were filed on March 10, 2017 and new building plans were filed on March 19, 2017 to construct a four-story seven unit apartment building. The building will have a zoning floor area of 4,975 square feet per the filed plans. This is slightly less than the

maximum ZFA of 5,000 square feet for the site. No adjustments are required for ownership interest, conditions of sale or cash equivalency. A demolition adjustment of \$9.50 per square foot of ZFA has been processed. No market conditions adjustment has been applied. The comparable's location is considered superior to that of the subject and a downward adjustment is warranted. The site size is much smaller than the subject warranting an upward adjustment. No adjustment is warranted for development potential. The comparable is rectangular in shape; similar to the subject and no adjustment has been applied. The comparable is a mid-block property, similar to the subject, with 25 feet of frontage along the north side of Concord Street, inferior to the subject. Considerate of such, an upward adjustment has been processed for site orientation. Overall, an upward adjustment to the transactional adjusted unit price was applied suggesting an adjusted unit value indication of \$439.45 per square foot of zoning floor area.

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ANALYSIS OF LAND SALES

Sale No.		Subject Property		1		2		3	
PROPERTY INFO.	Address	840 Atlantic Ave AKA 547 Vanderbilt Ave & 847-853 Pacific St		102-104 Huron St		484 Sterling Pl		197 Waverly Ave	
	Neighborhood	Prospect Heights		Greenpoint		Crown Heights		Clinton Hill	
	Block/Lot	1122/1, 68 & 71		2532/11 & 12		1174/18		1903/1	
	Improvements (Sq. Ft.)	0		2,400		9,825		3,000	
	Site Area (Sq. Ft.)*	7,000		5,000		9,825		3,563	
	Zoning	R6B		R6B		R6A		R6B	
	Buildable Area (ZFA)	14,000		10,000		29,475		7,126	
	Demolition Expense	\$0		\$48,000		\$196,500		\$60,000	
	Date of Sale	March 27, 2018		October 10, 2017		June 28, 2017		March 2, 2017	
	Contract Date	August 11, 2017		October 10, 2017		February 21, 2017		November 8, 2016	
TRANSACTION INFO.	Property Rights Conveyed	Fee Simple		Fee Simple		Fee Simple		Fee Simple	
	Grantor	Mohammad Naseem Rana		484 Sterling Pl LLC & 484 Sterling Pl		Adam Family Limited Partnership		Carbona Di Bari Realty Corp	
	Grantee	102-104 Huron Street LLC		484-890 Sterling Pl NY Corp.		197 Waverly Avenue LLC		171 Concord LLC	
	Property Record No.	2018040200631001 & 2018040200687001		201701300137001		2017070500392001		2017030700290001	
	Sale Price	\$4,200,000		\$15,000,000		\$3,200,000		\$1,950,000	
	Sale Price Per Sq. Ft. of Land Area	\$840.00		\$1,526.72		\$896.12		\$780.00	
	Sale Price Per ZFA	\$420.00		\$508.91		\$449.06		\$390.00	
	Unit of Comparison Selected	Per ZFA		Per ZFA		Per ZFA		Per ZFA	
	Unadjusted Unit Price	Qualitative	Quantitative	Qualitative	Quantitative	Qualitative	Quantitative	Qualitative	Quantitative
	Real Property Rights Adj.	Similar	\$0.00	Similar	\$0.00	Similar	\$0.00	Similar	\$0.00
TRANSACTIONAL ADJ.	Adjusted Price		\$420.00		\$508.91		\$449.06		\$390.00
	Financing Adjustment	None	\$0.00	None	\$0.00	None	\$0.00	None	\$0.00
	Adjusted Price		\$420.00		\$508.91		\$449.06		\$390.00
	Conditions of Sale Adj.	Arms-Length	\$0.00	Arms-Length	\$0.00	Arms-Length	\$0.00	Arms-Length	\$0.00
	Adjusted Price		\$420.00		\$508.91		\$449.06		\$390.00
	Expenditures After Purchase	Demolition	\$4.80	Demolition	\$6.67	Demolition	\$8.42	Demolition	\$9.50
	Adjusted Price		\$424.80		\$515.57		\$457.48		\$399.50
	Market Conditions	Similar	0.0%	Similar	0.0%	Similar	0.0%	Similar	0.0%
	Transactional Adjusted Price PSF		\$424.80		\$515.57		\$457.48		\$399.50
	Location	Superior	-10%	Similar	0%	Superior	-5%	Superior	-5%
PROPERTY ADJ.	Site Size	Smaller	5%	Larger	-5%	Smaller	5%	Smaller	10%
	Development Potential	Similar	0%	Superior	-5%	Similar	0%	Similar	0%
	Shape	Similar	0%	Similar	0%	Similar	0%	Similar	0%
	Site Orientation	Inferior	5%	Similar	0%	Inferior	5%	Inferior	5%
	Overall Property Adjustment		0%		-10%		5%		10%
	Indication of Unit Value		\$424.80		\$464.02		\$480.35		\$439.45
STATISTICAL ANALYSIS									
				Unadjusted	Adjusted				
Low End of Range				\$390.00	\$424.80				
High End of Range				\$508.91	\$480.35				
Statistical Average				\$441.99	\$452.15				

*Subject Indicated Site Area is Only that in R6B Zone

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Conclusion

The comparable sales reflect unadjusted unit values ranging from \$390.00 to \$508.91 per square foot of ZFA. After adjustments, the sales indicate unit values from \$424.80 to \$480.35 per ZFA. The arm's length nature of Comparable No. 2 could not be confirmed. As such, minimal weight is afforded to this sale. The other sales illustrate unit values between \$424.80 and \$480.35 per square foot of ZFA. Comparable No. 1, although the most recent is located the furthest from the subject in Greenpoint. The remaining sales suggest a unit value between \$439.51 and \$480.35 per square foot of ZFA. Based on the analysis of these sales, a unit value of \$450.00 per square foot of ZFA is considered reasonable.

14,000 buildable sq. ft. @ \$450.00 per sq. ft. equals \$6,300,000

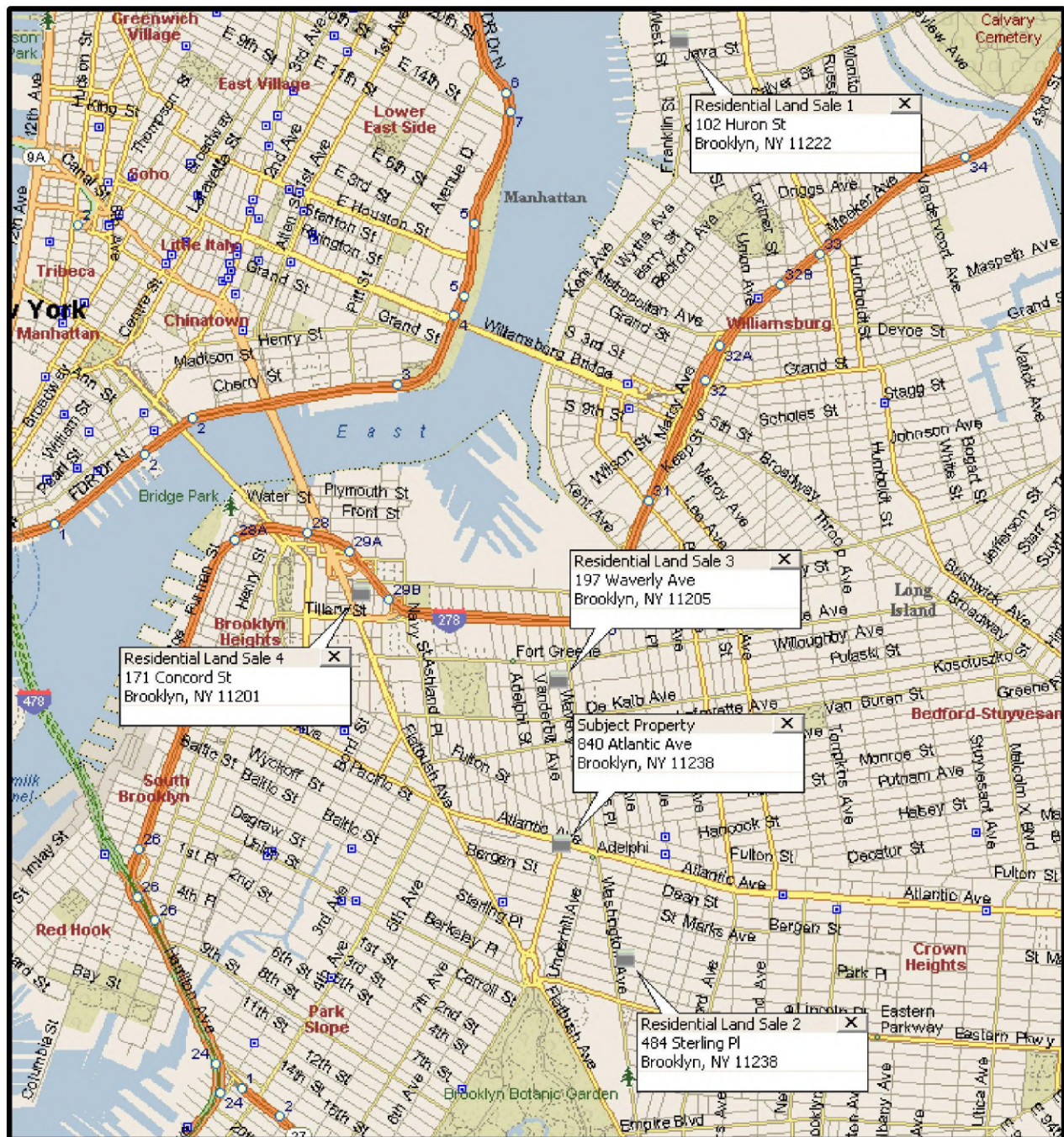
Based on the preceding analysis, the Market Value of the Fee Simple Interest in the subject's R6B zoned land, via the Sales Comparison Approach, as of August 20, 2018, is:

**SIX MILLION THREE HUNDRED THOUSAND DOLLARS
(\$6,300,000)**

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MAP OF COMPARABLE LAND SALES



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“AS IS” LAND VALUE CONCLUSION

Review

The subject site is presently divided by Zoning Districts with 22,000 square feet in an M1-1 Manufacturing District and 7,000 square feet R6B Residential District. The site is large enough to permit development of each portion of the site based on the current zoning. The preceding analysis details the comparable sales analyzed for the M1-1 and R6B portions of the site by which the following land values were derived:

M1-1 Site	\$12,000,000
R6B	<u>\$6,300,000</u>
Overall Site	\$18,300,000

Based on the preceding analysis, the Market Value of the Fee Simple Interest in the subject's land, via the Sales Comparison Approach, as of August 20, 2018, is:

**EIGHTEEN MILLION THREE HUNDRED THOUSAND DOLLARS
(\$18,300,000)**

The preceding value conclusion is based on certain extraordinary assumptions that if incorrect could materially impact the results of this appraisal. See pages v and vi for details.

“M Crown” Rezoning

The following analysis is based on the hypothetical condition that the subject site is rezoned as outlined in the Department of City Planning’s February 12, 2018 presentation. Under this hypothetical condition, the subject could be developed to a maximum zoning floor area of 149,700 square feet, excluding community facility bonuses which would increase the zoning floor area to 168,100 square feet, of which 125,900 square feet could be residential with a mandatory affordable component.

The market value of the subject site, as if vacant, unencumbered and available to be put its Highest and Best Use, is best indicated by an examination of land sales similar to the subject site. The techniques employed within the Sales Comparison Approach are utilized so as to value the subject’s underlying land. The price per square foot of zoning floor area is used as the basic unit of comparison. There have been a dearth of sales situated in Mandatory Inclusionary Housing Area; therefore, three proximate sales of commercially zoned development sites have been analyzed.

As recent transactions, the comparables chosen are deemed to provide an adequate sampling through which a land value may be estimated. The sales have been analyzed based on their maximum permissible bulk. The comparative process involves judgment as to the similarity between the subject site and the comparable sales with regard to a variety of factors. The following factors have been considered.

Property Rights

The subject is appraised as if vacant, unencumbered and available for development; as such, the interest appraised is the Fee Simple Estate. See extraordinary assumptions on pages v and vi of this report. All of the comparables represent the Fee Simple Interest with the conveyance of a 100% ownership interest; as such, no property rights adjustments have been applied.

Financing Terms

The comparable sales were either all cash or were financed by primary lenders at market-oriented rates. Considerate of such, no adjustments for any unusual or atypical financing was required.

Conditions of Sale

Adjustments for condition of sale usually reflect the motivations of the buyer and the seller. Comparable Nos. 1 and 2 were arms-length, requiring no adjustment. Comparable No. 3 was an assemblage warranting a downward adjustment.

Expenditures After Purchase

This adjustment factors in a dollar amount for demolition. Demolition adjustments recognize the cost to create a vacant parcel, considering that many of the comparable development sites were improved at the time of sale. This adjustment is developed by forecasting probable demolition costs using a unit cost multiplier and an estimate of the gross building area of the improvement(s) on the site at the time of sale. Based on demolition costs reviewed by KTR, estimated demolition costs of \$20.00 per square foot of reported gross building area is processed in this analysis.

Market Conditions

Comparable sales that occurred under different market conditions than those applicable to the subject property, as of the effective date of appraisal, require adjustment for any differences that affect their value. This adjustment will utilize the contract dates to determine the appropriate market conditions adjustment for each sale. Due to the potential delays between contract and closing and the significant land appreciation rate experienced in this market, land sales are typically adjusted based on their contract date. As a whole, market conditions improved between 2014 and 2015, stabilizing in early 2016. The comparables entered into contract between October 30, 2015 and October 3, 2017, warranting no adjustments for market conditions.

Location

An adjustment for location is appropriate when the location characteristics of a comparable property are different from those of the subject. Adjustments have been made on an individual basis taking into account the desirability, appeal, demographics and neighborhood character of each site.

Site Size

The comparable sales range in size from 9,589 to 74,887 square feet. The subject's entire site is a 29,000 square foot site. In the boroughs, larger residential/commercial sites typically trade at a higher price per square foot than smaller sites. Adjustments have been made on an individual basis.

Development Potential

This adjustment focuses on the permitted bulk of each comparable. It also accounts for restrictions of the comparables in special zoning districts. Comparable Nos. 1 and 2 are in a similar zoning district as the subject warranting no adjustment, whereas Comparable No. 3 is in a C6-4 district which permits a higher bulk, superior to the subject. Comparable No. 1 is not situated in special districts and warrants no adjustment, whereas Comparable Nos. 2 and 3 are in a special district, inferior to the subject.

Shape

The shape of a development site can have a material impact on the utility and development potential of a site. The subject is a U-shaped site. Adjustments for site shape were made on an individual basis.

Site Orientation

Exposure and accessibility consider the advantage of corner locations, frontage and visibility. In addition, the frontage of the sites have been considered in this adjustment. The subject's site fronts two corners with 170 feet of frontage along the south side of Atlantic Avenue, 200 feet along the east side of Vanderbilt Avenue and 120 feet along the north side of Pacific Street. The comparables have been adjusted on an individual basis.

Economics

The “M Crown” zone as outlined in the February 12, 2018 presentation will be a Mandatory Inclusionary Housing Area. The presentation suggests; however, that purely commercial or community facility uses could be constructed under this plan. Nevertheless, given the extreme pressure to create affordable housing and the current political environment, which is tying rezoning to Mandatory Inclusionary Housing, it is very likely the subject site would include an affordable residential component. This analysis does not explore the hypothetical value as a solely commercial development. The comparables analyzed herein are not situated in Mandatory Inclusionary Housing Areas. As such, an adjustment for the economic impact of Inclusionary Housing is required. Requirements for Mandatory Inclusionary Housing are at the discretion of the City Planning Commission and the City Council who can impose between one and four options on a property.

Option 1 requires 25.0% of the units be affordable, with 10.0% at 40.0% of Area Median Income (AMI) and 15.0% at 60.0% of AMI. Option 2 requires 30.0% of the units to be affordable at 80.0% of AMI. Option 3 requires 20.0% of the units to be affordable at 40.0% of AMI. Option 4 requires 30.0% of the units be affordable, with 5.0% at 70.0% of AMI, 5.0% at 90.0% of AMI and 20.0 at 115.0% of AMI. At the very least either one or both of Options 1 or 2 are imposed and the city can choose to add either or both of Options 3 and 4 at their discretion. This analysis assumes that both Options 1 and 2 will be implied, utilizing rents for families that fall below the AMI thresholds. It is noted that slightly higher rents can be obtained for families above the AMI thresholds.

Based on the 2018 Affordable Monthly Rents established by the New York City Housing Preservation and Development, one-bedroom apartments can be rented for \$667 at 40.0% of AMI, \$1,058 at 60.0% of AMI and \$1,509 at 80.0% of AMI. Two-bedroom apartments can be rented for \$810 at 40.0% of AMI, \$1,280 at 60.0% of AMI and \$1,820 at 80.0% of AMI. Downward adjustments have been applied to all of the comparables as they can be fully at market. The calculation for the economics adjustment for each comparable location can be found in the Addenda.

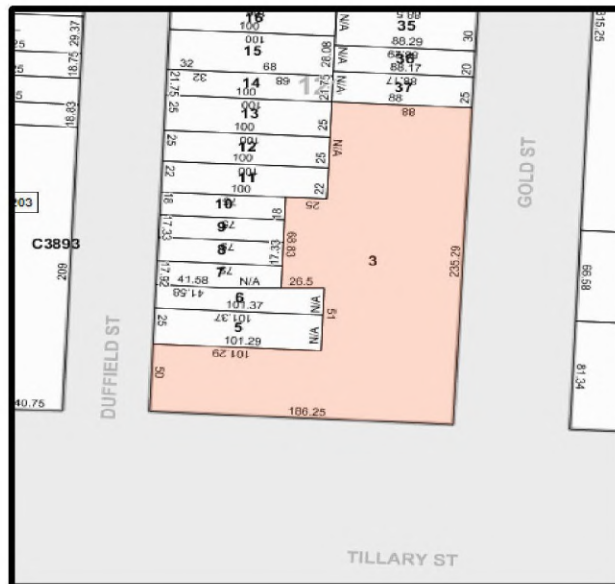
The following is a brief description of the land sales considered pertinent in the valuation of the subject property.

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Land Comparable No. 1

Address:	169 Tillary Street A/K/A 67 Duffield Street & 240 Gold Street
Neighborhood:	Downtown - Metrotech
Block/Lot:	121/3
Date of sale:	July 31, 2018
Date of contract:	October 3, 2017
Grantor:	240 Gold Street Realty Corp.
Grantee:	Gold Street Realty Holdings LLC
Site Area:	27,450 sq. ft.
Improvements:	Vacant
Demolition Cost:	None
Zoning:	C6-2
Maximum (FAR):	6.0 (Can be Increased to 6.5 FAR with Community Facility or 7.2 FAR with Quality Housing as it fronts a wide street)
Maximum ZFA:	197,640 square feet of ZFA
Buildable Area:	194,198 square feet of ZFA (Based on Submitted Plans Filed on February 22, 2018)
Consideration:	\$60,000,000
Price per ZFA:	\$303.58



Analysis

Comparable No. 1 is the July 31, 2018 arm's length sale of the Fee Simple Interest in an irregular shaped site, located on the north side of Tillary Street, extending the full block between Duffield and Gold Street in Downtown - Metrotech. According to public records, this property entered into contract on October 3, 2017. It is approximately 1.25 miles northwest of the subject and represents the sale of a vacant parcel. A new building plan was filed on February 22, 2018 to construct a 13-story, 286 unit apartment building containing an area of 194,198 square feet. No adjustments are required for ownership interest, cash equivalency or demolition. At the time of sale, plans had been submitted but not yet

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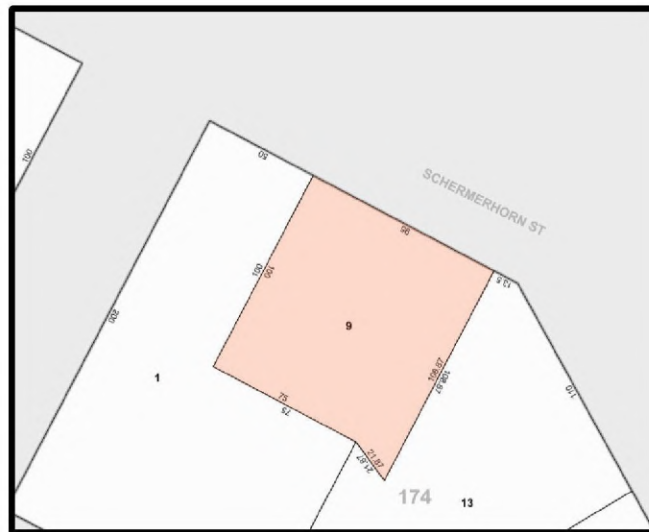
approved. Based on the October 3, 2017 contract date, it is likely that the buyer was responsible for the filed plans. Accordingly, no adjustment will be processed for approved/pending plans. No other conditions of sale adjustments are required. No market conditions adjustment has been applied. The comparable's location is considered superior to that of the subject and a downward adjustment is warranted. The site size is similar to the subject warranting no adjustment. No adjustment is warranted for development potential. The comparable is irregular in shape, similar to the subject, and no adjustment has been applied. The comparable is a corner property, similar to the subject, with 186.25 feet of frontage along the north side of Tillary Street, 235.29 along the west side of Gold Street and 50 feet along the east side of Duffield Street, also similar to the subject. Considerate of such, no adjustment has been processed for site orientation. Based on the July 2018 Brooklyn Rental Market Report published by MNS Real Estate, the average monthly rent for one-bedroom apartments in Downtown Brooklyn is \$3,397 and two-bedrooms average \$4,833. Based on the noted affordable rents earlier in this section, the subject's affordable units would be between 55.6% and 80.4% below market for one-bedroom apartments and between 62.3% and 83.2% below market for two-bedroom units. It is assumed that there would be an equal amount of one and two-bedroom units and as such, a downward adjustment of 21.2% has been applied to account for the subject's Mandatory Inclusionary Housing. Overall, a downward adjustment to the transactional adjusted unit price was applied suggesting an adjusted unit value indication of \$224.06 per square foot of zoning floor area.

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Land Comparable No. 2

Address:	370-382 Schermerhorn Street
Neighborhood:	Downtown – Fulton Mall
Block/Lot:	174/9
Date of sale:	July 28, 2017
Date of contract:	December 28, 2016
Grantor:	GEM Financial Services, Inc.
Grantee:	378 Schermerhorn Street LLC
Site Area:	9,589 sq. ft.
Improvements:	9,589 sq. ft.
Demolition Cost:	\$191,780 or \$2.78 per ZFA
Zoning:	C6-2 (DB)
Maximum (FAR):	6.0 (Can be Increased to 6.5 FAR with Community Facility, Residential can be increased to 7.2 FAR with Quality Housing as it is within 100 feet of a wide street)
Maximum ZFA:	69,041 square feet of ZFA
Consideration:	\$25,000,000
Price per ZFA:	\$362.10



Analysis

Comparable No. 2 is the July 28, 2017 arm's length sale of the Fee Simple Interest in a slightly irregular rectangular shaped site, located on the south side of Schermerhorn Street between Flatbush and 3rd Avenue in Downtown – Fulton Mall. According to public records, this property entered into contract on December 28, 2016. It is approximately 0.75 miles west of the subject and represents the sale of a one-story retail building containing 9,589 square feet. Demolition plans were filed on June 15, 2018; however, no new building plans have been filed. No adjustments are required for ownership interest, conditions of sale or cash equivalency. A demolition adjustment of \$2.78 per square foot of ZFA has been processed. No market conditions adjustment has been applied. The comparable's location is considered superior to that of the subject and

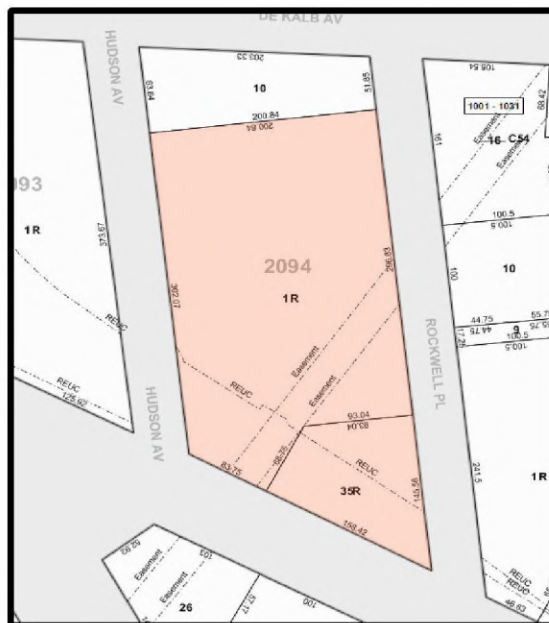
a downward adjustment is warranted. The site size is smaller than the subject warranting an upward adjustment. The comparable is situated in the Downtown Brooklyn Special District, which has contextual restrictions that the subject will not have. As such an upward adjustment has been applied for development potential. The comparable is a slightly irregular rectangular in shape; superior to the subject and a downward adjustment has been applied. The comparable is a mid-block property, inferior to the subject, with 95 feet of frontage along the south side of Schermerhorn Street, also inferior to the subject. Considerate of such, an upward adjustment has been processed for site orientation. Based on the July 2018 Brooklyn Rental Market Report published by MNS Real Estate, the average monthly rent for one-bedroom apartments in Downtown Brooklyn is \$3,397 and two-bedrooms average \$4,833. Based on the noted affordable rents earlier in this section, the subject's affordable units would be between 55.6% and 80.4% below market for one-bedroom apartments and between 62.3% and 83.2% below market for two-bedroom units. It is assumed that there would be an equal amount of one and two-bedroom units and as such, a downward adjustment of 21.2% has been applied to the comparable. Overall, a downward adjustment to the transactional adjusted unit price was applied suggesting an adjusted unit value indication of \$305.79 per square foot of zoning floor area.

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Land Comparable No. 3

Address: 625 and 633-645 Fulton Street A/K/A 44-60 Rockwell Place
Neighborhood: Fort Greene
Block/Lots: 2094/1 and 35
Date of sale: January 13, 2016 & May 10, 2017
Date of contract: October 30, 2015 & January 6, 2017
Grantor: 625 Fulton Associates LLC & 635 Fulton Realty Associates LLC
Grantee: 625 Fulton A LLC, 625 Fulton B LLC, 625 Fulton C LLC, 625 Fulton D LLC, 635 Fulton Owner LLC & 635 Fulton Owner II LLC
Site Area: 74,887 sq. ft.
Improvements: 36,000 sq. ft.
Demolition Cost: \$720,000 or \$1.24 per ZFA
Zoning: C6-4 (DB)
Maximum (FAR): 10.0
Buildable Area: 580,170 square feet of ZFA (excluding 168,700 square feet of TDRs transferred to Lot 10)
Consideration: \$226,000,000 (combined)
Price per ZFA: \$389.54



Analysis

Comparable No. 3 is the assemblage of a January 13, 2016 and May 10, 2017 arm's length sale of the Fee Simple Interest in a trapezoid-shaped site, occupying the entire blockfront on the north side of Fulton Street between Hudson Avenue and Rockwell Place in Fort Greene. According to public records, this property entered into contract on October 30, 2015 (Lot 1) and January 6, 2017 (Lot 35). It is noted that a Termination of Contract (citing the October 30, 2015 contract) was filed on January 13, 2016. This suggests that the terms of the original contract may have been revised prior to the January 13, 2016 sale. It is approximately 0.75 miles

west of the subject and represents the sale of two parcels, one being vacant (Lot 1) and the other containing a three-story retail building containing 36,000 square feet (Lot 35). Demolition plans were filed on April 19, 2018; however, no new building plans have been filed. Published articles indicate that the comparable will be constructed with a mixed-use high rise building containing retail, office and residential. No adjustments are required for ownership interest or cash equivalency. This transaction represents an assemblage and a downward adjustment was processed for conditions of sale. A demolition adjustment of \$1.24 per square foot of ZFA has been processed. No market conditions adjustment has been applied. The comparable's location is considered superior to that of the subject and a downward adjustment is warranted. The site size is significantly larger than the subject warranting a downward adjustment. The comparable has a 10.0 FAR, superior to the subject's 6.0 FAR. Lot 1; however, is encumbered by a Zoning Lot Development Agreement ("ZLDA") that transferred 168,700 square feet of development rights to Lot 10 (80 Dekalb Street). The ZLDA includes certain easements and cantilever agreements that further restrict development of certain portions of the site. Additionally, various easements dissect the site, including subway easements along Fulton Street. Based on such, a significant upward adjustment has been processed for development potential. The comparable is a regular trapezoid-shaped parcel, superior to the subject and a downward adjustment has been applied. The comparable is a corner property, similar to the subject, with 242.17 feet of frontage along the north side of Fulton Street, 302.07 feet along the east side of Hudson Avenue and 442.49 along the west side of Rockwell Place, superior to the subject. Considerate of such, a downward adjustment has been processed for site orientation. Based on the July 2018 Brooklyn Rental Market Report published by MNS Real Estate, the average monthly rent for one-bedroom apartments in Fort Greene is \$3,169 and two-bedrooms average \$4,191. Based on the noted affordable rents earlier in this section, the subject's affordable units would be between 52.4% and 79.0% below market for one-bedroom apartments and between 56.6% and 80.7% below market for two-bedroom units. It is assumed that there would be an equal amount of one and two-bedroom units and as such, a downward adjustment of 20.2% has been applied to the comparable. Overall, a significant downward adjustment to the transactional adjusted unit price was applied suggesting an adjusted unit value indication of \$259.05 per square foot of zoning floor area.